

AGREEMENT

This Agreement ("Agreement") is made as of _____, 2002 (the "Agreement Effective Date") by and between Capital One Services, Inc., a Delaware Corporation, with its principal place of business located at 2980 Fairview Park Drive, Suite 1300, Falls Church, VA 22042, and its subsidiaries and affiliates ("Capital One"), and the United States Postal Service (the "Postal Service"), an independent establishment of the Executive Branch of the United States Government established by the Postal Reorganization Act, Public Law 91-375, with its principal office at 475 L'Enfant Plaza, SW, Washington, DC 20260. The Postal Service and Capital One are referred to herein collectively as the "Parties" and each singly as a "Party."

WHEREAS, it is the intention of the parties to enter into a Negotiated Service Agreement ("NSA") that will benefit the Postal Service, the postal system as a whole, and Capital One, and will be transferable to other mailers willing to meet the same conditions and terms; and will comply with the requirements of the Postal Reorganization Act.

NOW, THEREFORE, the Parties agree as follows:

I. Key Conditions for NSA Treatment:

The Postal Service finds that the following key conditions, taken together, support this Negotiated Service Agreement:

- A. Capital One has mailed, for at least each of the last three Postal Service fiscal years, a minimum of one billion pieces of First-Class Mail.
- B. Capital One agrees to receive electronic information about its undeliverable-as-addressed solicitations sent as First-Class Mail, instead of physical return of the pieces.
- C. Capital One is Mail Piece Total Quality Management (MPTQM) certified at its Richmond production site.
- D. For First-Class Mail correspondence with established account holders (customer mail), Capital One uses only addresses that have been processed against National Change of Address / Coding Accuracy Support System ("NCOA/CASS") databases within the 30 days prior to mailing. For First-Class Mail solicitations, Capital One uses only addresses that have been processed against NCOA/CASS databases within the 60 days prior to mailing.
- E. Capital One can document the number of returns of undeliverable-as-addressed First-Class Mail.

- F. Capital One's mail relates to its products and services, including but not limited to sales and other promotions run in conjunction with Capital One's strategic partners or as a part of strategic alliances with other entities.
- G. Capital One does not use Address Correction Service as a means to qualify with the published Postal Service Move Update requirements for automation compatible mail.

II. Address and Other Quality Issues

- A. Capital One will apply the endorsement "Change Service Requested" (CSR) to all First-Class Mail solicitations and comply with the Postal Service rules and regulations associated with this endorsement, unless mutually agreed to in writing by both parties. Capital One will receive the service associated with CSR, Option 2, which will include forwarding. After providing the service associated with this endorsement, the Postal Service will dispose of the mail in accordance with applicable Federal laws and the Postal Service operating instructions.
- B. The Postal Service will make the programming and regulation changes necessary to implement CSR, Option 2 by February 1, 2003.
- C. If Capital One mails more than 750 million pieces of First-Class Mail, as defined in Article III, Paragraph C, within any year of this Agreement, as counted in Section IV below, the Postal Service will provide Capital One with Address Correction Service (ACS) notices for solicitations that comply with the CSR endorsement and the ACS fees will be waived or suspended for that year. In exchange for a waiver/suspension of ACS fees, Capital One agrees to update its databases within 2 business days and use the information in all future marketing campaigns. In addition, Capital One agrees that it will be able to show how its system procedures assure that it complies with this paragraph. It will also retain records, auditable by the Postal Service, that show how and when the updates were made.
- D. Capital One will become an active ACS participant for its First-Class Mail solicitation mailings for the duration of the Agreement. It will comply with all rules and regulations associated with the use of ACS endorsements.
- E. If, by the end of the first fiscal year of this Agreement, Capital One mails less than 750 million First-Class Mail pieces, as defined in Article III, Paragraph C, Capital One agrees to pay the greater of either (1) all applicable ACS fees for the first fiscal year of this Agreement; or (2) \$1,000,000. Capital One authorizes the Postal Service to deduct the amount from its Centralized Account Processing System (CAPS) account, upon five days notice of the

amount due. Should the account have insufficient funds, Capital One will pay the remaining amount owed within five days of receipt of notice.

- F. The waiver/suspension of fees does not apply to the use of any ancillary address correction endorsements other than the CSR endorsement authorized for First-Class solicitation mail.
- G. Capital One agrees that it cannot use the CSR endorsement as a means to comply with the published Postal Service Move Update requirements for automation compatible mail. Capital One will continue to comply with Move Update through either NCOA match or FastForward.
- H. Capital One agrees to the following address management practices for all of its First-Class Mail:
 - 1. For First-Class Mail correspondence related to account holders (customer mail), Capital One will only use addresses that have been processed against NCOA/CASS databases within the 30 calendar days prior to mailing.
 - 2. For First-Class Mail solicitations, Capital One will only use addresses that have been processed against NCOA/CASS databases within the 60 calendar days prior to mailing.
- I. Capital One will continue to participate in its MPTQM program at its Richmond site. By December 1, 2003, Capital One will install the MPTQM program and achieve a self-assessment score of 95% at its Seattle site. If Capital One fails to comply with this paragraph it agrees to pay the Postal Service \$50,000 in liquidated damages. This is the only remedy available to the Postal Service. Failure to comply with this paragraph will not be a basis for the Postal Service to invoke the cancellation clause set forth in Part V, Section F.

III. Volume Threshold Issues

- A. In exchange for Capital One's compliance with the Address Management terms and for its agreement to accept electronic address corrections for its First-Class Mail solicitations rather than physical return of such pieces, declining block rates of postage will be available for volumes above certain thresholds of such First-Class Mail as defined in Article III, Paragraph C. The declining block rates will be calculated by applying the discounts specified below to the otherwise applicable rates of postage. The discounts specified below apply only to the incremental volumes within each volume block .

- B. Capital One agrees to pay the otherwise applicable rates of postage at the time the mail is entered. The Postal Service will provide Capital One with credits of the appropriate amounts of the discounts as specified in Article III.
- C. Thresholds: Mail that will be counted toward the 750 million piece threshold under Article II, Paragraph E, and toward the FCM thresholds set forth in Article III, Paragraph D, and will be eligible for discounts is limited to:
1. All First-Class Mail customer correspondence related to account holders;
 2. First-Class Mail solicitations that bear the CSR endorsement and comply with the Postal Service rules and regulations associated with this endorsement.

Postcards, Qualified Business Reply Mail, Priority Mail, or Business Reply Mail (BRM) will not be counted toward the threshold, nor will they be eligible for block discounts.

- D. The First-Class Mail threshold for each year, unless modified under Article III, Paragraph H, will be the greater of either 1.225 billion pieces of First-Class Mail as defined in Article III, Paragraph C, or 90% of Capital One's average First-Class Mail volume for Postal Service FY2000, FY2001 and FY2002.
- E. Given the threshold for the first year at 1.225 billion, then the declining block rates are calculated based on the following discounts:

<u>Volume Block</u>	<u>Incremental Discounts</u>
1,225,000,001 – 1,275,000,000	3.0¢
1,275,000,001 – 1,325,000,000	3.5¢
1,325,000,001 – 1,375,000,000	4.0¢
1,375,000,001 – 1,450,000,000	4.5¢
1,450,000,001 – 1,525,000,000	5.0¢
1,525,000,001 – 1,600,000,000	5.5¢
1,600,000,001 and above	6.0¢

If the threshold is set at greater than 1.225 billion pieces in accordance with paragraph D above, the discount intervals will remain the same as stated above but will only become available for volumes exceeding the adjusted threshold. For example, if the threshold is 1.3 billion pieces, volume from 1.3 to 1.325 billion pieces will receive a discount of 3.5¢, while volumes below 1.3 billion pieces will receive no incremental discount.

- F. If at the end of the first year after implementation, Capital One's First-Class Mail volume, as defined in Article III, Paragraph C above, falls below 1.025

billion pieces, the following discounts shall apply for the second and third years of the Agreement:

<u>Volume Block</u>	<u>Incremental Discounts</u>
1,025,000,001 – 1,075,000,000	1.0¢
1,075,000,001 – 1,125,000,000	1.5¢
1,125,000,001 – 1,175,000,000	2.0¢
1,175,000,001 – 1,225,000,000	2.5¢

- G. Neither the discount intervals nor the size of the discounts shall change in the second and third years, except for the first interval as set forth in Article II, Paragraph E above.
- H. Quarterly Threshold Amounts: For the purpose of computing the applicable volume thresholds on a quarterly basis, the annual threshold determined within this section (or as modified within the terms of this Agreement) will be divided into Postal Service fiscal quarters. To ensure a consistent base of mailings throughout the fiscal year, at least 18% of the mail will be allocated to each quarter. Due to the seasonality and variations in mailing patterns throughout the fiscal year, Capital One has the right to allocate the Volume threshold for any given year, during the term of this Agreement, into four Postal Service fiscal quarters, subject to a quarterly minimum of 18% of the determined Volume Threshold. At least ten business days prior to the start of each year of the Agreement, Capital One shall deliver to the Postal Service an estimated volume allocation by quarter, subject to the minimum of 18% per quarter. These volume thresholds will be used, as outlined in Article III, Paragraph J, Volume Accounting, to determine appropriate quarterly volume discounts, for credit to Capital One.
- I. Threshold Adjustments:

Capital One agrees that the First-Class Mail Volume Threshold will be adjusted to the extent that Capital One merges with or , acquires an entity with annual First-Class Mail volume in excess of 10 million pieces in the year preceding the acquisition or merger. Capital One further agrees that the First-Class Mail Volume Threshold will also be adjusted to the extent that in any Postal Service fiscal year, Capital One merges with or acquires multiple entities with combined annual First-Class Mail Volume in excess of 25 million pieces. Capital One must notify the Postal Service of any merger, or acquisition with an entity that has annual First-Class Mail volume in excess of 10 million pieces. In addition, at the end of any Postal Service fiscal year during the term of this Agreement, Capital One will notify the Postal Service if during that fiscal year it has merged with or acquired multiple entities with combined annual First-Class Mail volume in excess of 25 million pieces. The notification must include the name of the acquired entity, the existing number of non-overlapping new accounts, the mail volume of the acquired entity for

the twelve (12) months preceding the merger or acquisition, and the permit accounts through which the mail volume was processed. If the merger, acquisition results in a material increase as described herein, the First-Class Mail threshold will be adjusted to add the volume of First-Class Mail sent by the acquired entity during the 12 months preceding the merger, acquisition. All threshold adjustments due to mergers or acquisitions shall be made on a quarterly basis in the succeeding fiscal quarter immediately following the date of acquisition or merger.

J. Volume Accounting:

1. Capital One will provide the Postal Service with the numbers of the permit accounts that will determine Capital One's eligibility for discounts. The accounts may be used only upon the Postal Service acknowledgement. Only First-Class Mail letter mail in these accounts will be counted toward the thresholds. Separate qualifying permit accounts will be used for customer mail and for solicitation mail. The data in the Postal Service's permit accounts used to determine whether the thresholds have been met.
2. Only First-Class Mail solicitation mail bearing the CSR endorsement and complying with Postal Service rules and regulations associated with CSR, Option 2, may be mailed through the First-Class Mail solicitation permit account.
3. If Capital One's First-Class Mail volume exceeds the Quarterly Volume Threshold for the applicable quarter, Capital One will be eligible to receive a credit for discounts on subsequent First-Class Mail volume, sent through the designated permit accounts during the remaining portion of that quarter.
4. At the end of each Postal Service fiscal quarter, the Postal Service shall promptly deliver its summary of First-Class Mail usage and applicable credit due Capital One. The Postal Service will identify Capital One's quarterly First-Class Mail postage usage and corresponding credit due Capital One. Any applicable credit due Capital One will be realized at the commencement of the subsequent fiscal quarter, by the Postal Service promptly posting an appropriate to Capital One's CAPS account.
5. *At the end of the fourth Postal Service fiscal quarter, all Capital One First-Class Mail volumes and discounts will be reconciled and the Postal Service will promptly disclose to Capital One whether additional credits are available or whether more discounts have been given than due under the Agreement. If Capital One has received more discounts than due, Capital One authorizes the Postal Service to deduct the amount from any of its CAPS accounts, upon five (5) business days notice. Any additional amounts owed to Capital One will be credited promptly per instructions from Capital One.*

6. Capital One understands that in the normal course of business, the Postal Service occasionally edits permit data after the close of a quarter to reconcile a discrepancy. If such an edit affects the First-Class Mail volume in either the Postal Service's or Capital One's favor, the change will be accounted for under the terms of this Agreement.
- K. Only Capital One's First-Class Mail will be mailed through the permit accounts described in Article III, Paragraph J(1) and counted toward the thresholds set forth in this Agreement. Capital One mail is limited to correspondence related to account holders (customer mail) and solicitations for Capital One's products and services. Capital One may not use the threshold permit accounts to mail on behalf of any other company or entity.

IV. Compliance and Other Issues

A. Compliance

1. Capital One will continue to use return addresses with Richmond (3-Digit) ZIP Codes unless Capital One notifies the Postal Service fifteen (15) days in advance that a different address will be used. Separate return addresses will be used for customer mail and for solicitation mail. Capital One must notify the Postal Service of all return addresses for customer and solicitation mail before use.
2. Upon 5 days notice, Capital One will permit the Postal Service to open returned First-Class Mail pieces in the presence of Capital One employees, copy the contents, and return the piece to Capital One.
3. Capital One agrees to keep a representative mail piece for each campaign mailed through the solicitation permit accounts. The copy must include the front and back cover and all contents. Included with the copy must be the date of mailing, the amount mailed, and enough information to tie the mailing to a specific postage statement(s).
4. Capital One will make all its records related to its First-Class Mail mailings available for inspection by postal employees.

B. Appeals

Capital One may appeal a Postal Service decision regarding: mail counted toward the thresholds set forth in Article III, Paragraph C; threshold adjustments set forth in Article III, Paragraph H; the volume of mail in the threshold accounts set forth Article III, Paragraph J; or the amount of discounts paid set forth in Article III, Paragraph J, by sending a written appeal within 30 days of receipt of notification of the decision to the Rates and Classification Service Center in New York. The decision of the Manager, RCSC, will be final. Any decision that is not appealed as prescribed becomes the final Postal Service decision.

This appeal process relates only to the issues identified above that arise as a result of the implementation of this agreement.

C. Effective date

The Agreement is effective on the latest date of signing by both parties.

D. Regulatory Review

1. In accordance with the Postal Reorganization Act and the Postal Rate Commission's Rules of Practice and Procedure and upon approval of the Postal Service Board of Governors, the Postal Service will file a request with the PRC for recommended changes in rates, fees, and classifications that would allow the Postal Service to implement this agreement.
2. Capital One agrees to file with the Commission a motion for intervention and to file its direct case supporting the Postal Service's request on the date the Postal Service files its request. Capital One will file any motions for waiver necessary to support these filings.
3. The parties agree to provide the other with each full draft of its testimony and accompanying workpapers and library references when available. Each party will provide the other a substantially final version of these materials before postal management asks the Board of Governors to authorize filing of the request to the Commission. The Postal Service will approve the final version of these materials.
4. Capital One agrees that its testimony will address, among other issues, the impact or lack thereof of this agreement on its First-Class Mail and Standard Mail volume.
5. Each party agrees to consult with the other on positions to be taken in pleadings prior to filing and will provide to each other the drafts of its filings with the PRC by close of business the day before it intends to file. Capital One agrees not to take any position in the litigation contrary to those of the Postal Service.
6. Each party agrees to bear its own costs related to the subject matter of this Agreement and its litigation costs that arise as a result of testimony presented by its witnesses and related discovery.
7. Each party agrees to bear its own costs associated with any data collection needs associated with this Agreement.

E. Term & Implementation Date

Pursuant to the Postal Reorganization Act, and upon approval by the Governors of the Postal Service approval of the changes in rates, fees, and classification recommended by the Postal Rate Commission ("PRC"), the Board of Governors will set the Implementation Date. It is further agreed that should the Implementation date fall prior to the commencement of a Postal Service fiscal quarter, then for the period of time between the Implementation Date and the first full Postal Service fiscal quarter, any applicable volume thresholds will be pro-rated as mutually agreed by the

parties, and thereafter the Agreement will continue for a period of three years from the implementation date set by the Board of Governors or until (i) the provisions of the Domestic Mail Classification Schedule relative to this Agreement expire or (ii) the Agreement is terminated by one of the Parties pursuant to Article IV, Paragraph F set forth herein. It is further agreed that should the termination date of this Agreement fall prior to the end of a Postal Service fiscal quarter, then for the period of time between the end of the preceding Postal Service fiscal quarter and the termination date, any applicable volume thresholds will be pro-rated as mutually agreed by the parties.

F. Termination

Each party reserves the right to terminate this Agreement under one or more of the following conditions:

1. If the Board of Governors fails to approve the filing of the request with the Postal Rate Commission.
2. If the Commission fails to issue a Recommended Decision based on the agreement;
3. If the Commission adopts a Recommended Decision that deviates from the rates, fees, and classification changes set forth in this agreement; or
4. If the Governors of the Postal Service fail to approve a Commission Recommended Decision adopting the rates, fees, and classification changes set forth in this agreement.
5. If a material change in the Domestic Mail Classification Schedule or the Domestic Mail Manual is implemented that affects the basic structure of this agreement or changes the benefits of the arrangement. Examples would be the provision of electronic ACS for First-Class Mail at no charge to all mailers, or a change in forwarding and return policies.

Either signatory withdrawing under the terms of this paragraph must provide written notice of withdrawal to the other party within fifteen business days of the occurrence of the specified event giving rise to the right to withdraw.

G. Cancellation

1. During the term of the agreement, the Postal Service may cancel the agreement for the following reasons provided that the Postal Service shall provide written notice to Capital One of Capital One's failure and Capital One shall have failed to cure such failure within sixty (60) days of its receipt of such notice :
 - a. A material failure by Capital One to provide accurate data;
 - b. A material failure by Capital One to present properly prepared and paid Mailings;
 - c. Capital One's failure to comply with a material term of this Agreement.

- d. Capital One's lack of use of the Agreement.
2. During the term of the agreement, Capital One may cancel the agreement without cause by providing thirty business days' advance notice provided that it must still comply with Section II, paragraph E. If Capital One has mailed more than 750 million FCM pieces, then Capital One may cancel without cause or penalty and shall specifically have no liability under Section II, Paragraph E of this Agreement.

V. Public Communications

The form, substance, and timing of any press release or other public disclosure of matters related to this Agreement shall be mutually agreed to by Capital One and the Postal Service in writing which consent shall not be unreasonably withheld, except to the extent of disclosure which Capital One or the Postal Service is required by law to make, in which instance the non-disclosing Party shall be advised and the Parties shall use their reasonable efforts to cause a mutually agreeable disclosure to be issued.

VI. Amendments

This Agreement shall not be amended except expressly, in writing, by authorized representatives of the Parties.

VII. Notices

Service of all notices under this Agreement shall be in writing and sent by either U.S. Certified Mail, return receipt requested, postage paid, addressed to the Party to be served notice, or by nationally recognized overnight mail service, at the following addresses. All such notices and communications shall be effective upon receipt.

Mr. Robert Shippee
Capital One Services, Inc.
11011 West Broad Street
Glen Allen, Virginia 23060
Attention: 12060-0272

With a copy to:

Capital One Services, Inc.
Office of Corporate Counsel
11013 West Broad Street
Glen Allen, Virginia 23060
Attention: 12061-0460

United States Postal Service
1735 N. Lynn Street
Arlington, Virginia 22209
Attention: Stephen Kearney
Vice President, Pricing and Classification

United States Postal Service
475 L'Enfant Plaza, SW
Washington, DC 20260-1100
Attention: Managing Counsel, Legal Policy & Ratemaking

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

UNITED STATES POSTAL SERVICE

By: _____

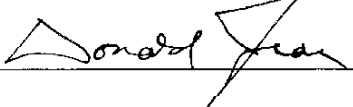
Printed Name: Anita J. Bizzotto

Senior Vice President,

Title: Chief Marketing Officer

Date: September 9, 2002

CAPITAL ONE SERVICES INC.

By: 

Printed Name: Donald Jean

Title: Senior Vice President

Date: September 4, 2002